



PERSONNEL CABINET
Department of Employee Insurance
501 High Street, 2nd Floor
Frankfort, Kentucky 40601
www.personnel.ky.gov



Kentucky Retirement Systems
1260 Louisville Road
Frankfort, Kentucky 40601
Phone: 502-696-8800
Fax: 502-696-8822
kyret.ky.gov

January 15, 2010

Dear Retiree,

Re: Active Employees 65 and Over – Medicare Secondary Payer Impact on Kentucky Retirement System Medicare Supplement Plan

Federal Medicare law that applies to the Department of Employee Insurance (DEI) and the Kentucky Retirement Systems (KRS) requires a change in the way both agencies provide healthcare coverage to KRS retirees who are age 65 and older and who return to work for the Commonwealth. Both DEI and KRS independently sought outside legal guidance on this issue and the opinions agree as to how we must proceed. **The affected population includes Medicare eligible members, actively employed by the Commonwealth, who maintain a Medicare Supplement Plan through the KRS.**

A Medicare eligible retiree who is actively employed by the Commonwealth and eligible to participate in the Kentucky Employees' Health Plan is **not eligible** to participate in the plan provided by the Kentucky Retirement Systems that supplements that employee's Medicare coverage. Instead, any health coverage the employee receives from a Kentucky-sponsored program must pay for Medicare-covered expenses, up to the limit of his or her coverage under the Kentucky program, before applying to Medicare for payment. If an employee is currently receiving Medicare supplemental coverage from one of the Kentucky Retirement Systems, the employee must drop this supplemental coverage while he or she is actively employed and eligible to participate in the Kentucky Employees' Health Plan (KEHP).

Steps to Take

- First, according to federal law, Medicare eligible actively employed individuals **must terminate enrollment (i.e. drop) their KRS Medicare Supplement plan.**

Enclosed with this letter is a disenrollment form that must be completed by you and any dependents that have coverage through KRS in order to have you removed from the Medicare coverage. **This must be completed by January 29, 2010.**

- Second, the Medicare eligible actively employed individual **should enroll in a KEHP benefit plan as an active employee.**

Note: these changes will include any dependents who are currently covered by the KRS Medicare Supplement plan. KRS 61.702(3)(b)(3) provides that NO subsidy, reimbursement or premium support may be provided by KRS for insurance during your active employment status.



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Earlier this month, the DEI allowed all Medicare eligible, active employees an opportunity to change their 2010 KEHP Plan Year election. Given the further legal guidance received, DEI is allowing you another opportunity to change your 2010 KEHP Plan Year election based on loss of the KRS Medicare Supplement.

You must take action no later than January 29, 2010.

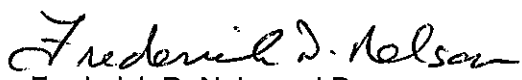
KEHP Options

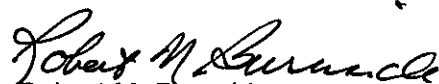
- If you **elected one of the four KEHP Benefit Plans** (Commonwealth Maximum Choice, Commonwealth Optimum PPO, Commonwealth Capitol Choice or Commonwealth Standard PPO):
 - ⇒ you only need to terminate enrollment in the KRS Medicare Supplement Plan.
- If you **elected the HRA Waiver** and did not select one of the four KEHP Benefit Plans (Commonwealth Maximum Choice, Commonwealth Optimum PPO, Commonwealth Capitol Choice or Commonwealth Standard PPO):
 - ⇒ you need to terminate enrollment in the KRS Medicare Supplement Plan; and
 - ⇒ possibly reconsider your 2010 Plan Year election. If you elected the HRA Waiver and do not elect a Benefit Plan you will only have basic Medicare coverage once the \$2100 HRA fund is exhausted, because you are not eligible for the KRS Medicare supplement.
- As an active employee you may elect to waive all KEHP coverage (waiver, no HRA).

Please note that all KEHP Benefit Plans, including the "waiver" HRA, must be primary to (i.e. pay before) Medicare covered expenses. This means that Medicare is the secondary payer and payment will be made by a primary payer (KEHP Benefit Plan or "waiver" HRA) for services that are covered under Medicare.

For further information contact

- KRS at 502-696-8800 or toll free 1-800-928-4646 to inquire as to the process to terminate your KRS Medicare Supplement Plan.
- KEHP, Member Services Branch at 888-581-8834 or the Enrollment Information Branch at 502-564-1205, to change your 2010 KEHP Benefit Plan election.


Frederick D. Nelson, J.D.
Commissioner
Department of Employee Insurance


Robert M. Burnside
Executive Director
Kentucky Retirement System

Attachments:

KRS Termination Form: Must be completed and returned to KRS

KEHP Application: Complete if you need to change your 2010 KEHP election and return to KEHP